

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

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SUBJECT: Approval of Minutes of July 9, 1998 Meeting

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: August 5, 1998

INFORMATION: \_\_\_\_\_

PRESENTER(S): Chairperson

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Please see the attached minutes of the July 9, 1998 meeting of the Teachers' Retirement Board.

PROPOSED  
MINUTES OF  
TEACHERS' RETIREMENT BOARD  
OPEN SESSION  
THURSDAY, JULY 9, 1998  
STATE TEACHERS' RETIREMENT SYSTEM  
ROBYN D. MILLER BOARD ROOM  
7667 FOLSOM BOULEVARD  
SACRAMENTO, CALIFORNIA

**BOARD MEMBERS PRESENT**

Emma Zink, Chairperson  
Yvonne Gallegos Bodle  
George Fenimore  
Gary Lynes  
Marty Mathiesen  
Lillian Raffel  
Fred Buenrostro, representing State Controller, Kathleen Connell  
Richard Whitmore, representing Superintendent of Public Instruction, Delaine Eastin  
Wen Chung Hong, representing State Treasurer, Matt Fong  
Robin Dezember, representing Director of Finance, Craig Brown

**STAFF PRESENT**

James D. Mosman, Chief Executive Officer  
Christopher Waddell, Chief Counsel  
Michael Carter, DCEO, Client Benefits & Services  
Laurence Martin, DCEO, Information and Financial Services  
Peggy Plett, DCEO, Administration  
Jennifer DuCray-Morrill, DCEO, Governmental Affairs & Program Development  
Ken Costa, Director, START Project  
Ed Derman, Director, Legislation, Planning and Research Division  
Mary Miles, Administrative Assistant

**OTHERS PRESENT**

Nancy Williams, Mercer  
Maureen Rice, SPL Worldgroup Consulting  
Elizabeth Mackenzie, California Retired Teachers Association  
Phyllis Pipes, California Federation of Teachers  
Dorothy Moser, United Teachers Los Angeles, Retired  
George Wichman, California Teachers Association  
Bill Collins, California Teachers Association  
Art Geisler, CTA  
Stephen Arvizo, President, Oxnard College

A quorum being present, Chairperson Zink called the July 9, 1998 meeting to order at 10 a.m.

II. **APPROVAL OF MINUTES OF JUNE 3 AND JUNE 4, 1998 MEETINGS**

MOTION duly made by Mr. Whitmore, seconded by Ms. Raffel, and carried to approve the Board Meeting Minutes of June 3 and June 4, 1998.

III. **ANNOUNCEMENTS**

There were no announcements.

#### **IV. COMMITTEE REPORTS**

**INVESTMENT COMMITTEE:** Mr. Lynes, Chairperson of the Investment Committee, reported that the Committee, in open session, approved the policies and procedures for Alternative Investments and Real Estate. Mr. Lynes reported that the Committee received further information on the meaning of a “discretion in a box” as it pertains to Real Estate contracts. The Committee also received a report from the Chief Investment Officer on the proposed 1998 Investment Management Plan and Investment Branch objectives for the coming year; a finalized version will be brought back to the Committee in August. The Committee received activity status reports in Credit Enhancements, Real Estate, Alternative Investments, Litigation, and the report of the Chief Investment Officer.

In closed session, the Committee approved the cash flow allocation for the upcoming fiscal year.

BY CONSENSUS, the report of the Investment Committee was accepted.

**AD HOC GOVERNANCE COMMITTEE:** Mr. Whitmore reported that the Ad Hoc Committee heard a presentation from Cortex on Board Governance and reviewed the revised travel policy.

MOTION duly made by Mr. Whitmore and carried to accept the recommendation of the Ad Hoc Governance Committee to endorse, in principle, the Cortex presentation on Board Governance. Mr. Buenrostro abstained.

MOTION duly made by Mr. Whitmore and carried to accept the recommendation of the Ad Hoc Governance Committee to approve the revised travel policy as amended. Mr. Buenrostro voted no.

BY CONSENSUS, the report of the Ad Hoc Governance Committee was accepted.

**BENEFITS AND SERVICES COMMITTEE:** Ms. Bodle reported that the Committee adopted the Administrative Law Judge’s decision on the case of Geneva Barker denying the request to receive an Option 2 Allowance.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

#### **V. CHIEF EXECUTIVE OFFICER REPORT**

Mr. Mosman requested direction on the solicitations the System receives from various organizations wanting the System to contribute to their specific cause. Mr. Mosman was directed to decline any such requests.

Mr. Mosman extended an invitation for Board members to attend the Annual Convention of the National Council on Teacher Retirement which will be held October 10-15 in Newport Beach and the Council of Institutional Investors’ Fall Conference which will be held October 5–6 in New York.

#### **VI. ROLE OF FIDUCIARY COUNSEL**

Mr. Waddell presented a brief history of the role of the System’s Fiduciary Counsel. Ms. Williams, representing Mercer, provided a report on how other Public Funds use their fiduciary counsel. Discussion ensued regarding the current Chief Counsel and Fiduciary Counsel roles, and reporting requirements.

MOTION duly made by Mr. Fenimore, seconded by Ms. Raffel, and carried to have the Fiduciary Counsel report to the System's Chief Counsel, that the Chief Counsel will determine the Fiduciary's attendance at meetings, and that the Fiduciary Counsel will assist the Board in exercising its fiduciary responsibility. Mr. Lynes abstained.

Staff was directed to revise the current fiduciary counsel policy by incorporating the specific issues discussed and to bring it back to the Board for review.

**VII. START PROJECT UPDATE**

Mr. Costa and Ms. Rice, SPL Worldgroup Consulting, provided an update to the START Project. Mr. Costa reported that the project was progressing with testing of the first two releases and that charts will be provided at the next meeting displaying the results of the testing process. Mr. Costa also stated that SPL would be bringing staff in from Israel to work on issue resolution.

**VIII. UPDATE ON LEGISLATION**

Ms. DuCray-Morrill introduced Mr. Derman, the new Director of Legislation, Planning, and Research Division.

STATE: Ms. DuCray-Morrill provided a status report on the Budget negotiations and reported that the Legislature has adopted the language requiring the System to conduct a valuation as of June 30, 1998 and an appropriation of \$50,000 to cover the cost of the valuation. However, the Legislative Analyst's recommendation to hold Elder Full Funding income was not adopted and, at this point in the Budget process, the funding will be included in the 1998/99 Budget. Although there is a potential that this could be changed, Ms. DuCray-Morrill recommended that the Board not take any action to deviate from the current biennial valuation schedule.

AB 2804 (PER&SS) – This bill would redirect the Elder Full Funding appropriation to increase retirement benefits and for other education purposes when STRS is fully funded. This bill does not provide a vehicle for funding the benefit increase. Staff recommends the Board take a support position. Mr. Whitmore added that the Elder Full Funding appropriation is currently used as part of the calculation which determines per pupil expenditures on public education in California.

MOTION duly made by Mr. Mathiesen, seconded by Ms. Bodle, and carried to take a support position on Assembly Bill 2804. Messrs. Buenrostro, Fenimore, Hong, and Dezember abstained.

AB1150 (Prenter) – This bill would incrementally increase the benefit factor of two percent at age 60 to 2.418 percent at age 63. Staff recommended that the Board adopt a support if amended position. Mr. Geisler, CTA, requested that the Board support this bill for comparability of retirement benefits with PERS' classified school employees and retention of teachers.

MOTION duly made by Ms. Raffel, seconded by Ms. Bodle, and carried to take a support if amended position on Assembly Bill 1150. Mr. Hong and Mr. Dezember abstained.

Mr. Derman gave a presentation on the methodology of using excess investment earnings for supplemental COLA's. Ms. DuCray-Morrill requested that the Board approve the following legislative proposal.

98-06 – Excess Earnings: This legislative proposal would authorize the Board to distribute excess investment earnings, as determined by the actuary, to provide increased supplemental benefits.

Mr. Fenimore left the meeting at 12:45 p.m.

MOTION duly made by Mr. Mathiesen, seconded by Mr. Lynes, to support the staff conceptual legislative proposal on the use of excess earnings and/or the Board to sponsor legislation to utilize excess earnings in some form for the enhancement of retirement benefits and active members. Staff will have the proposal ready this year in the event an opportunity arises through the Budget negotiation process; otherwise it would be put forward for next year. ROLL CALL: Mss. Raffel and Zink, Messrs. Lynes, Mathiesen, and Whitmore voted yes. Mr. Hong voted no. Ms. Bodle, Messrs. Buenrostro, Dezember abstained. Motion carried.

FEDERAL LEGISLATION: Ms. DuCray-Morrill stated that staff is focussing on the Mandatory Social Security issues.

IX. **1998/99 BUISNESS PLAN**

This item was deferred to the Board meeting on August 5, 1998.

X. **QUARTERLY LITIGATION REPORT**

Mr. Waddell presented this item.

XI. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC**

Mr. Buenrostro requested that the Ad Hoc Governance Committee memorializing the Board voting policy and use of Roberts Rule of Order for reference purposes at its next meeting.

Ms. Bodle introduced Dr. Steven Arvizo, the President of the Oxnard College and the former Chancellor of CSU – Monterey Bay.

XII. **ADJOURNMENT**

Chairperson Zink went directly into Closed Session to discuss investment issues at 1:04 p.m.

At 1:05 p.m., Chairperson Zink returned to open session. There being no further business to conduct, Chairperson Zink adjourned the meeting at 1:05 p.m.

James D. Mosman, Chief Executive Officer  
and Secretary to the Teachers' Retirement Board

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Emma Zink, Chairperson